

IRS TO IMPLEMENT FEDERAL PAYMENT LEVY PROGRAM

WASHINGTON – Beginning in July 2000, certain individuals and businesses with unpaid tax bills from whom the IRS has been unable to collect may be subject to a continuous 15 percent levy on money due them from the federal government.

A new program, the Federal Payment Levy Program (FPLP), is the result of a provision of the Taxpayer Relief Act of 1997. The law was passed by Congress on July 31, 1997, and signed by President Clinton on Aug. 5, 1997. Through the program, the Internal Revenue Service can collect overdue taxes through a continuous levy on certain federal payments. This program will be used in conjunction with the existing levy program.

In its initial phase, the program will reduce federal retirement benefits paid to individuals through the Office of Personnel Management and federal payments to vendors doing business with the government. Later, the program will expand to include federal employee salaries, some Social Security benefits and other federal payments. Under prior law, the IRS was able to levy on Social Security payments but was unable to levy on other types of federal payments or could only levy on amounts that exceeded a certain exemption level.

Federal payments to a delinquent taxpayer will not be included in this program in certain circumstances, for example, when a taxpayer is in bankruptcy, in a hardship situation or has applied for relief as an innocent or injured spouse. The levy program will not apply to certain types of federal insurance payments, including Black Lung benefits or SSI payments.

A taxpayer whose federal payments are subject to levy under this program may contact IRS to resolve the issue by paying the tax bill, entering into an installment agreement or proposing an offer in compromise.

The determination of whether to make a continuous levy under the program will be made on a case-by-case basis.

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As part of this program, a file of delinquent taxpayer accounts will be transmitted to the Financial Management Service (FMS), a bureau of the U.S. Treasury, to be matched against pending federal payments. When a match is found, IRS will send the taxpayer a final notice of levy with appeal rights if one has not already been issued. If the taxpayer does not respond, the IRS will transmit the levy electronically to FMS. From that point on, FMS will reduce any federal payments subject to the levy by 15 percent.

When fully implemented, the program is projected to bring in an additional \$478 million in revenues annually.

In an attempt to raise public awareness, the IRS is releasing information on the levy program to associations, organizations, unions and federal agencies.

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